

October 19, 2009

## Natural Gas Trends

### Highlights

#### EIA: PIPELINE ADDITIONS 'MASSIVE' IN 2008

On 9/30/09, the Energy Information Administration (EIA) released a report titled *Expansion of the U.S. Natural Gas Pipeline Network: Additions in 2008 and Projects through 2011*. According to EIA:

**Pipeline capacity.** Nearly 45 billion cubic feet per day (Bcf/d) of natural gas pipeline capacity was added to existing capacity in the Lower 48 states in 2008, more than half (50.73%) of which was added to the Southwest Region, including Texas, New Mexico, Oklahoma, Arkansas, and Louisiana.

**Pipeline miles.** Nearly 4,000 miles of new U.S. natural gas pipelines were constructed in the Lower 48 states in 2008. Of this total, 1,382 miles were added to the Southwest Region, as shown below:

By the end of 2011, another 3,094 miles of new gas pipelines are expected to be completed in the Southwest Region – with an economic value of about \$7.7 billion. Pipeline expansions and additions in the Southwest Region in 2009 – 2011 are expected to increase capacity by about 40 Bcf/d.

#### SOUTHWEST REGION PIPELINE EXPANSIONS AND ADDITIONS

	2008 completed	2009 approved or scheduled	2010 proposed completion	2011 proposed completion
Added capacity (Bcf/d)	22.6	19.7	6.3	13.9
Estimated cost (in billions)	\$3.3	\$4.9	\$ .6	\$2.2
Miles	1,382	2,113	293	688

**Pipeline economic value to local economies.** In the Lower 48 states where natural gas pipelines were expanded or constructed in 2008, affected communities benefited from an estimated \$11 billion of pipeline construction activity, of which \$3.3 billion was in the Southwest Region.

**2008 major projects.** The most significant Southwest Region projects occurred on Texas intrastate systems owned by Enterprise Product Partners (EPP) and Energy Transfer Partners, LP (ETP). EPP completed a portion of its Sherman Extension project; ETP completed its Bossier Pipeline, its Paris Loop Expansion and its Carthage Loop Expansion.

EIA's report is available at:

[http://www.eia.doe.gov/pub/oil\\_gas/natural\\_gas/feature\\_articles/2009/pipelinenetwork/pipelinenetwork.pdf](http://www.eia.doe.gov/pub/oil_gas/natural_gas/feature_articles/2009/pipelinenetwork/pipelinenetwork.pdf)

### Data

- November Natural Gas Futures Contract (Oct 16), NYMEX at Henry Hub closed at \$4.781
- November Light, Sweet Crude Oil Futures Contract (Oct 16), NYMEX at Cushing closed at \$78.53 per Bbl. or approximately \$12.50 per MMBtu

#### Texas and U.S. Warmer Than Normal

For the cooling season (1/1/09 to 12/31/09), cumulative cooling degree days are 11% above normal for Texas and 3% above normal for the U.S. From the week beginning 10/11/09 thru 10/17/09, Texas and the U.S. had higher than normal cooling degree days.

Source: [www.cpc.ncep.noaa.gov](http://www.cpc.ncep.noaa.gov)

#### COOLING DEGREE DAYS (CDD)

City or Region	Total CDD for week ending 10/17/09	* Week CDD +/- from Normal	Year-to-date total CDD	* YTD % +/- from Normal
Amarillo	6	0	1326	-1 %
Austin	41	- 7	3178	+ 12 %
Dallas - FW	15	- 12	2721	+ 8 %
El Paso	44	+ 28	2762	+ 23 %
Houston	67	+ 21	3343	+ 22 %
San Antonio	49	- 2	3543	+ 22 %
Texas**	44	+ 6	2832	+ 11 %
U.S.**	14	+ 1	1215	+ 3 %

\* A minus (-) value is cooler than normal; a plus (+) value is warmer than normal. NOAA uses 65° Fahrenheit as the 'normal' basis from which CDDs are calculated.

\*\* State and U.S. degree days are population-weighted by NOAA.

#### U.S. Gas Storage Inventories Bloat to 3,716 Bcf

For the week ending 10/9/09, U.S. working gas in storage increased from 3,658 to 3,716 Bcf, compared to 3,266 Bcf in storage a year ago and compared to an average of 3,242 Bcf in storage during the 5-year period from 2004 to 2008. Working gas in storage in the producing region (which includes Texas) increased this week from 1,169 to 1,182 Bcf.

Source: [www.eia.doe.gov](http://www.eia.doe.gov)

#### U.S. WORKING GAS IN STORAGE

Region	Week ending 10/9/09	Prior Week	One-week Change	Current Δ from 5-Year Average (%)
East	2030	1992	+ 38	+ 7.3 %
West	504	497	+ 7	+ 15.9 %
Producing	1182	1169	+ 13	+ 29 %
Lower 48 Total	3716	3658	+ 58	+ 14.6 %

Units in billion cubic feet (Bcf)

### Last Week: Gas Rig Count at 721, Down 5

The **gas** rig count for the U.S. was down 5 for the week and down 816 when compared to 12 months ago. The U.S. **total** rig count was down 1 for the week and down 936 when compared to 12 months ago. Source: Baker Hughes

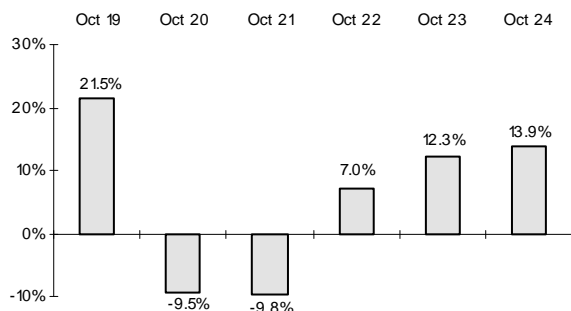
#### BAKER HUGHES ROTARY RIG COUNT

	As of 10/16/09	+/- Prior Week	Year Ago	+/- Year Ago
U.S. total	1040	- 1	1976	- 936
Gas	721	- 5	1537	- 816
Oil	309	+ 4	428	- 119
Texas	394	- 2	925	- 539
N. Amer.	1290	+ 10	2413	- 1123

### This Week: U.S. Energy Use Expected to Vary

U.S. energy use is forecasted to be significantly above normal on Monday, below average mid-week and, again, above normal through week's end, according to the Dominion Energy Index, as shown below. The index forecasts total U.S. residential energy usage, a component of which is natural gas. Source: Dominion Energy Index

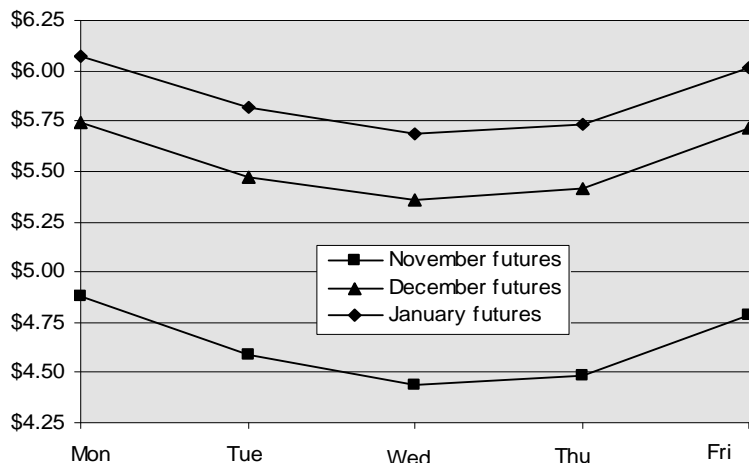
#### U.S. ENERGY USE FORECAST



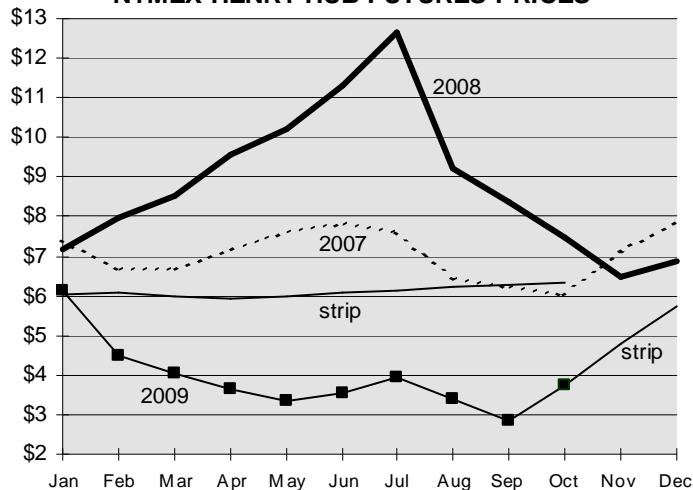
### What the Baker Hughes rotary rig count includes

Baker Hughes' rotary rig counts, left, include only those rigs that are significant consumers of services and supplies and do not include cable tool rigs, small truck-mounted rigs, or rigs that can operate without a permit. Non-rotary rigs may be included in the count based on how they are employed. For example, coiled tubing and workover rigs employed in drilling new wells are included in the count.

#### NYMEX NATURAL GAS PRICE MOVEMENT 10/12/09 - 10/16/09



#### NYMEX HENRY HUB FUTURES PRICES



#### GAS PRICE SUMMARY 10/16/09

	This Week	+/- Last Week	+/- Last Year	12-Month Strip Avg.
US November futures				
NYMEX	\$4.781	\$0.011	-\$1.688	\$5.966